

**City of Falls Church
Economic Development Authority
FINAL Minutes
Tuesday, July 10, 2007 – 6:30 p.m.
Training Room
Level G, City Hall**

I. Call to Order

EDA Chairman Ed Saltzberg commenced the Developers Forum at 6:50 p.m., since there was no quorum, yet.

After the Developers Forum, Mr. Saltzberg called the meeting to order at 8:15 p.m.

EDA Board Members: Ed Saltzberg, Barry Buschow, David Tarter, A.C. Miller

Excused: Bob Butchko, Warren Cohen, Bruce Swenson

ED Staff: Rick Goff, Becky Witsman, Lovey Testa

Public: Gary LaPorta (Greater Falls Church Chamber of Commerce, GFCCC); Deborah Thompson (GFCCC); Laheeb Alsarray (citizen); Mowafak Alshagna (Babylon Catering); Rosalie Bastarache (citizen); Jerry Bastarache (citizen); Lindy Hockenberry (City Council); Sally Cole (GFCCC); Carol Jackson (Falls Church Housing Corporation, FCHC); Donna Byrne (citizen/resident); Paul Barkley (citizen); Gordon Theisz (citizen); Tom Clinton (Commissioner of the Revenue); Dana Lewis (Housing & Human Services, HHS); Hal Lippman (City Council)

II. Petitions from the Public (5 minutes per petitioner) – None.

III. Petitions from the Board (5 minutes per petitioner)

Barry Buschow shared some pictures of his recent family trip to Anchorage, Alaska. He wanted to show how the city rebuilt by having a city center, which can accommodate musical events and other public gatherings. David Tarter suggested that the EDA should help sponsor an event, such as an arts festival.

IV. Approval of May and June 2007 Minutes – Approved.

V. Developers Forum: Heather Arnold on the Future of Retail in Falls Church: Trends, Expectations and Demand

Heather Arnold's presentation was entitled, "The City's Retail Future. Industry Trends, Opportunities, and Challenges in Falls Church". The first part of the presentation dealt with the question of what is keeping the retailers away. Heather cited some of the reasons these retailers conveyed to EDO staff, e.g., lack of quality retail space and parking; national tenants wanted to protect their locations nearby (Tysons Corner); local tenants cannot find locations in concentrated retail areas; and, inhospitable conditions along Route 7 (heavy traffic volume). Ms. Arnold nevertheless cited that the City has some good retail sites, such as the West Falls Plaza (low vacancy, well-tenanted, handled by Federal Realty)

and Broaddale Plaza (parking upfront, good visibility). She also cited the fact that Starbucks choosing to locate in both sites shows that they are good locations.

Next, Ms. Arnold talked about how there is a sense of a lack of retail in the City, since it is surrounded by millions of square feet of retail. For example, on one end, Tysons Corner has over 3 million square feet, while Bailey's Crossroads has 1 million square feet. As such, the retail industry thinks that Falls Church is "already served, particularly since retail markets do not know the City boundaries." Ms. Arnold cited 3 shopper mind-set categories: (1) running errands, in which an individual tends to travel shorter distances and can therefore accomplish many things; (2) dinner date; and (3) shopping for a Mother's Day present, in which case you tend to go farther, and you accomplish fewer things. Ms. Arnold said that Falls Church could, among other possibilities, aim to become a venue for dinner dates and where people can shop for gifts.

Ms. Arnold then talked about the retail potential of Falls Church. She said that it is still necessary to meet the basic needs of a community by having dry cleaners, florists, salons, etc. Furthermore, she said that the City needs to pursue retailers who are established either in the local or regional level.

Ms. Arnold also discussed the factors that will increase demand for retail in Falls Church. First, there should be a specialty grocery store, e.g., Harris Teeter, Whole Foods, etc. Second, is to have a popular venue for theater/cinema/music or recreational events. Ms. Arnold cited that having a new bowling alley would benefit the City. Finally, Falls Church should have its own "authentic environment," such as the future City Center. Ms. Arnold recommended what kind of retail establishments should be found in the City Center: a collection of restaurants and cafes that should be clustered in one area; a specialty grocery store and retailers that provide basic goods/services, which she called the "Saturday errand retailers"; and a cluster of home décor/improvement stores. The City has many of these stores, but they are not clustered in one area.

Ms. Arnold proceeded to discuss what the City has been doing to attract more retailers. Last fall, the EDO implemented its retail marketing campaign entitled, "Rediscover the City of Falls Church". A new marketing brochure was designed that provided information about the City, e.g., demographics, traffic count, current projects, maps, etc. The brochure was a way of re-introducing the retailers and their brokers to the City of Falls Church with the message that there is something new to see here, and that they should come back to check out what the City has to offer. So far, the EDO staff has contacted 68 retailers. Rick Goff, Economic Development Director, made a correction by pointing out that as of today, the EDO has actually contacted 159 retailers. (Note: It is also worth pointing out that the EDO staff has had 9 meetings and/or tours with these potential retailers.) Staff has also been attending conferences related to attracting more retail in the City.

The following are the most common comments from retailers, on why they have decided not to open another location in Falls Church: not interested; not expanding at the moment; targeting major markets; too close to Tysons; not enough similar co-tenancy; need surface parking up front; and need street frontage, preferably street corner space. Ms. Arnold explained that the EDO is undertaking this effort of reaching out to retailers since the lead time for lease negotiations for these regional/local retailers typically takes between 6-12 months.

There are challenges that still exist with these efforts. First, the community's expectations for new retail are still unrealistic, because of the mindset that they want to see national retailers. Also, developers continue to promise delivering tenants they will not be able to provide. Third, planners encourage retail design that does not mesh with the space demands of the City's market. Ms. Arnold suggested that they

should be more flexible with the requirements. Lastly, the developers are asking for retail rents that are too high. In the City, the asking rate is \$40.00-\$45.00 per square foot. Just outside of Falls Church, the rate is \$21.00-\$27.00 per square foot.

Ms. Arnold briefly discussed the accomplishments and pending objectives of some of the mixed-use development projects. Cusi opened last fall of 2006 at The Byron; it is located in one of the prime ground floor retail spaces of the building. However, The Byron's second prominent location on the other end of the building remains unleased. For the Spectrum, although construction is still on-going, the retailers can get a visual of how the open space looks. However, their entrance corner location is still not signature-leased. Pearson Square on Maple Avenue is considered a difficult location. This factor is made more difficult by co-tenants, e.g., an auto parts store across the street.

Ms. Arnold also referred to an article in the July 6-12, 2007, edition of the Washington Business Journal, under the Commercial Real Estate Week section entitled, "Survey: town centers show staying power in region." The article expounded on the vital role of having a city/town center.

Ms. Arnold said that the City of Falls Church has a strong residential market, but its commercial market is still weak. She nevertheless said that there are many opportunities in Falls Church that would help create a strong retail environment.

Ms. Arnold showed examples of some local/regional retailers in different categories, e.g., restaurants, salons, children's retail, stationery, home goods, and wine stores. Ms. Arnold opened the floor to questions from the public.

Lindy Hockenberry, City Council member, inquired how the City can encourage developers to reduce their leasing rates, particularly for existing businesses seeking new space. Ms. Arnold said that it is up to the developers/landowners on what rate they want to set in Falls Church. Rent reduction for certain businesses tends to be complicated, particularly since developers in Falls Church are under a lot of pressure to meet requirements and expectations for filling their retail space.

A citizen referred to Ms. Arnold's comment about Route 7 being a "moat," and wanted to know if there are other roads of a similar nature. Ms. Arnold confirmed that there are many highways that can be considered moats.

Barry Buschow, EDA Board member, asked Ms. Arnold to provide a real definition of the term, "pedestrian friendly." Ms. Arnold referred to the Spectrum and Pearson Square, and said that the term is associated with the critical mass of a particular space, in which the public can park and walk to various destinations. She did admit that the term is very difficult to define.

Tom Clinton, Commissioner of the Revenue, said that he knows that there a lot of people/businesses that are happy in Falls Church. Mr. Clinton wanted to know why the City can not have more people come in to do business. Ms. Arnold said that there are compelling things to get the people interested, and that there is so much more competition right now from neighboring localities, such as McLean and Arlington.

Hal Lippman, City Council member, wanted to know if the City has a role in interacting with developers. Ms. Arnold said that the City's retail marketing campaign is a positive initiative. Developers and brokers have the same intentions, i.e., to make money. The City tries to help them

through the process by giving them a list of potential retailers based on market research. Ms. Arnold reiterated that we should disengage our expectations from attracting national tenants.

Paul Barkley, an architect, commented that he is very impressed with Arlington and Shirlington, particularly with the latter's theater and library. Ms. Arnold agreed and posed the question, to what extent is the City willing to invest in such establishments, i.e., to have an arts center, for example.

Ms. Hockenberry commented that investment on the part of the City is important. She further said that the City is investing and working on the town square on the north side of the City Center project. Ms. Arnold said that the City should take responsibility for the design and construction of the north side.

Ed Saltzberg asked if the City needs any other guidance to achieve her 2027 retail strategy. Ms. Arnold said that the "2027 concept" is occurring right now in the City. However, she has observed in Falls Church a fear of doing something new and expecting everything to be perfect before moving forward. She encouraged everyone to maintain a little more flexibility and openness to ideas. Mr. Saltzberg asked if the City is doing anything now that creates obstacles to development. Ms. Arnold said that she sees the City Center project with Atlantic Realty is going well, but that the City should be careful about imposing too many retail requirements. She furthermore added that Falls Church is still a driving, not a walking, community, and that we should all accept that reality.

A citizen said she thinks Falls Church should be like Bethesda or Shirlington. She said she is not comfortable walking and crossing the streets of Falls Church, and that the City should have outside seating. Ms. Arnold said that the City Center plan calls for such things. Shirlington may be used as a model for the City Center because it is more feasible. Finally, Ms. Arnold said that we should all just accept the existence of Tysons Corner, and that it will always be a factor in our retail market.

VI. New Business

a. EDA FY 2007/2008 Budget

Rick Goff, Economic Development Director, referred to the hand-outs of the proposed EDA Budget for FY 2007-2008. Under Sources of Funds: the fund balance as of July 1, 2007 is \$172,745; rental income from July 2007-December 2007 is projected to be \$12,000 (from the Podolnick property at \$2,000 per month); estimated Tax Analysts annual administrative fee is \$20,000; and estimated interest income for FY 2008 is \$5,400. Total anticipated funds through July 1, 2008 are \$204,745.

Anticipated funding categories for FY 2008 are: dues and association membership fees (Chamber of Commerce), \$150; Grant to First Friday \$6,600; Awards and events \$2,000 (EDA may be a sponsor of the Business Awards). The subtotal of obligated funds for FY 2008 is \$8,750. The EDA also has a reserve fund for future uses valued at \$195,995. The total obligated and reserve funds amounts to \$204,745.

For FY 2006/2007, the EDA also awarded grants for the following: Chamber of Commerce Business Expo (\$1,500); Treats & Eats restaurant guide (\$3,547); Watch Night (\$4,845).

David Tarter moved to approve; Barry Buschow seconded the motion. The budget was unanimously approved by all members present.

VI. Old Business - None

VII. Staff Reports

a. Development Projects

Mr. Goff reported that Atlantic Realty's City Center concept plan was revised based on input from the City Council, Planning Commission, and City staff. The Harris Teeter grocery store would be re-located to the west side of the ground floor of the superstructure on the Bowl America site. A loading area will be placed on Gibson Street; Shirley Street will become a "festival" street, which can be closed for special events. The grocery store will also have a second entrance. Retail would be located along Maple Avenue and would wrap the corner at Annandale Road. Townhouses would be built along Gibson Street as well as the Shirley Street extension. Atlantic Realty also reduced the number of overall units by 25. The greatest height would be at Maple Avenue and Annandale Road (105 feet), and would taper down to Gibson Street (7 stories).

For the First Phase, the height of the office building has been reduced from 115 feet to 95 feet. Atlantic Realty and City staff have been discussing adding an arts and cultural component on the second floor of the office building. The hotel will have a restaurant on the entire first floor, possibly a white table-cloth type that will function separately from the hotel's food and beverage services. There would be 160-180 rooms not quite the scale of a full-service hotel.

There would be 70 age-restricted condo units, which would be located in a tower next to the hotel. These would be larger units that would be targeted to an upscale market.

The proposed drive-through bank in the office building would be replaced by either retail or office. There were no changes made to the bowling facility.

Mr. Goff said that City staff has been encouraging Atlantic Realty to do more detailed elevations. They are getting close to nailing down the footprints of the building. A formal re-submittal has not yet been made, since Atlantic Realty is still waiting for more feedback.

One of the board members suggested having Atlantic Realty come and talk informally with the EDA. In terms of timing, a First Reading with City Council is likely in the fall. Another board member inquired about the Comprehensive Plan Amendment. Mr. Goff said it was approved at First Reading on a 5-2 vote, and will now be considered by the Planning Commission prior to Second Reading. The biggest criticism of the amendment was that the focus on traffic seemed to overshadow the pedestrian elements.

The Special Exemption Amendment for Pearson Square was approved by a 6-1 vote. Fifteen affordable dwelling units (ADUs) can now be converted from condos-for-sale to condos-for-rent. The developer will also fund an additional \$100,000 for Falls Church Arts.

Akridge is expected to submit its proposal on the Gateway project. The same goes for the proposal from Columbia Baptist Church on a portion of its property. There is also some interest in the property at 360 S. Washington Street; staff will be meeting with the Falls Church Housing Corporation this week to discuss this matter further.

A board member requested clarification on the conversion of rental units in Pearson Square. Mr. Goff said that Transwestern is still the buyer, and that the deal can now go forward. Although it would not be

assessed at full condo market value, the City will receive a net revenue of about \$200,000 a year more than if the project were sold as strictly rental units (not structured under a condo ownership regime).

Becky Witsman, Business Development Manager, reported on the Broad Street roadwork meeting earlier that day. The work is expected to start by the first week of August, at the earliest.

A Work Session is scheduled for August 6th, which will potentially cover the Gateway project and Columbia Baptist Church proposal.

Viget Labs, a company specializing in Web design, will be moving to the City from their Tysons location. The company will be moving to the Tax Analysts building. The company can be a potential participant for the City's Technology Zone Tax Abatement program.

b. Business Assistance Activities

c. Upcoming Meetings

VIII. EDA Member Reports - None

IX. Other Business

For First Friday, David Tarter suggested having a joint meeting with the Chamber Board of Directors to discuss ways to get more businesses to come to Falls Church, as well as to promote the businesses in the City.

X. Adjournment – the meeting adjourned at 8:51 p.m.

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